

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
(D/B/A NORTHWEST IOWA YOUTH EMERGENCY SERVICES CENTER)

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011 AND 2010

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NORTHWEST IOWA MULTICOUNTY REGIONAL
JUVENILE DETENTION CENTER

OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Representing</u> |
|----------------|--------------------|---------------------|
| Ken Chalstrom | Chairperson | Clay County |
| Don Kass | Vice-Chairperson | Plymouth County |
| Jon Martyr | Member | Emmet County |
| Joe Cronin | Member | Ida County |
| Jack Bensley | Member | Sac County |
| Mike Modder | Member | Lyon County |
| Denny Wright | Member | Sioux County |
| Louis Stauter | Member | Pocahontas County |
| Mardi Allen | Member | Dickinson County |
| Eugene Meiners | Member | Carroll County |
| John Haack | Member | O'Brien County |
| Jerry Buller | Member | Crawford County |
| Ken Hach | Member | Buena Vista County |
| Larry Prunty | Member | Cherokee County |
| Cheryl McGrory | Director | |
| Karla Lundy | Assistant Director | |

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report

To the Board of Directors of the Northwest Iowa
Multicounty Regional Juvenile Detention Center:

We have audited the accompanying balance sheets of Northwest Iowa Multicounty Regional Juvenile Detention Center as of and for the years ended June 30, 2011 and 2010, and the related statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Iowa Multicounty Regional Juvenile Detention Center as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2012, on our consideration of Northwest Iowa Multicounty Regional Juvenile Detention Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

March 16, 2012

Hunzelman, Putzier & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Northwest Iowa Multicounty Regional Juvenile Detention Center provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2011 and 2010. We encourage readers to consider this information in conjunction with the Center's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The Center's operating revenues decreased 1.5%, or \$14,121, from fiscal 2010 to fiscal 2011.

The Center's operating expenses were 1%, or \$10,447, less in fiscal 2011 than in fiscal 2010.

The Center's net assets decreased 15.2%, or \$53,246, from June 30, 2010, to June 30, 2011.

USING THIS ANNUAL REPORT

Northwest Iowa Multicounty Regional Juvenile Detention Center is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Northwest Iowa Multicounty Regional Juvenile Detention Center's financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Center's financial activities.

The Balance Sheet presents information on the Center's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Center is improving or deteriorating.

The Statement of Operations and Changes in Net Assets presents information on the Center's operating revenues and expenses, non-operating revenues and expenses, and whether the Center's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Center's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Center financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS OF THE CENTER

Condensed Balance Sheets

As noted earlier, net assets may serve over time as a useful indicator of the Center's financial position. The Center's net assets for fiscal 2011 totaled approximately \$296,800. This compares to approximately \$350,000 for fiscal 2010. A summary of the Center's net assets is presented below.

| | <u>Net Assets</u> | |
|---|---|-------------------|
| | <u>Year Ended June 30,</u> <u>2011</u> | <u>2010</u> |
| Current assets | \$ 333,509 | \$ 391,292 |
| Property and equipment, less accumulated depreciation | 22,024 | 25,065 |
| Total assets | 355,533 | 416,357 |
| Current liabilities | 58,768 | 66,346 |
| Net assets: | | |
| Invested in capital assets | 22,024 | 25,065 |
| Unrestricted | 274,741 | 324,946 |
| Total net assets | <u>\$ 296,765</u> | <u>\$ 350,011</u> |

The invested in capital assets (7%, e.g., buildings and equipment) are resources allocated to capital assets. The remaining net assets (93%) are the unrestricted net assets that can be used to meet the Center's obligations as they come due.

Condensed Statements of Operations and Changes in Net Assets

Operating revenues are received for services provided juveniles who await court disposition. The Center provides a physically secure, emotionally stable, and safe environment for these individuals until final court ruling. Operating expenses are expenses paid to operate the Center. Non-operating revenues are for interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses, and changes in net assets for the years ended June 30, 2011 and 2010, is presented below:

| | <u>Statements of Operations and Changes in Net Assets</u> | |
|---------------------------|---|------------------|
| | <u>Year Ended June 30,</u> <u>2011</u> | <u>2010</u> |
| <u>OPERATING REVENUES</u> | | |
| Detention care fees | \$ 407,341 | \$ 381,525 |
| State allocation | 162,466 | 165,533 |
| State programs - tracker | 360,000 | 405,000 |
| State programs - other | 12,627 | 10,099 |
| Other operating revenues | 8,864 | 3,262 |
| Total operating revenues | <u>951,298</u> | <u>965,419</u> |
| <u>OPERATING EXPENSES</u> | | |
| Salaries and benefits | 853,492 | 861,540 |
| Meals and food | 22,042 | 20,287 |
| Insurance | 37,895 | 36,785 |
| Travel | 35,362 | 38,815 |
| Other | 56,725 | 58,536 |
| Total operating expenses | <u>1,005,516</u> | <u>1,015,963</u> |
| Operating loss | <u>(54,218)</u> | <u>(50,544)</u> |

FINANCIAL ANALYSIS OF THE CENTER - (Continued)

Condensed Statements of Operations and Changes in Net Assets - (Continued)

| | <u>Year Ended June 30,</u> | |
|------------------------------|----------------------------|-------------------|
| | <u>2011</u> | <u>2010</u> |
| <u>NONOPERATING REVENUES</u> | | |
| Interest on investments | \$ 972 | \$ 2,532 |
| Changes in net assets | (53,246) | (48,012) |
| Net assets beginning of year | <u>350,011</u> | <u>398,023</u> |
| Net assets end of year | <u>\$ 296,765</u> | <u>\$ 350,011</u> |

The Statement of Operations and Changes in Net Assets reflects a negative year with a decrease in the net assets at the end of the fiscal year.

In fiscal 2011, operating revenues decreased by \$14,121, or 1.46%, primarily as a result of a \$25,816 increase in detention fees and a \$45,000 decrease in revenue from the State tracker program due to budget cuts.

Operating expenses decreased by \$10,447, or 1.03%. This decrease was due mainly to a decrease in salaries and wages due to layoffs in the prior fiscal year.

Statements of Cash Flows

The Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating, capital and related financing, and investing activities. Cash used by operating activities includes County fees and the State allocation reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes the purchase of capital assets. Cash provided by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2011, the Center had approximately \$22,000 invested in capital assets, net of accumulated depreciation of approximately \$131,000. Depreciation charges totaled \$4,346 and \$6,217 for fiscal years 2011 and 2010, respectively. More detailed information about the Center's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

Northwest Iowa Multicounty Regional Juvenile Detention Center's financial position deteriorated during the current fiscal year. The current condition of the economy in the state continues to be a concern for Center officials. Some of the realities that may potentially become challenges for the Center to meet are:

Facilities at the Center require constant maintenance and upkeep.

ECONOMIC FACTORS – (Continued)

Technology continues to expand and current technology becomes outdated, presenting an on-going challenge to maintain up-to-date technology at a reasonable cost.

Insurance costs, and wages and salaries continue to rise while the per diem rate remains constant and bed days have lowered.

One juvenile detention center in Iowa has become a competitive facility which has placed an undue burden upon the Center, as the competing facility has cut per diem rates in an effort to undercut the Center's operations and begin a price war.

The Center anticipates the current fiscal year will continue to show a decrease in receipts collected due to a decrease in the number of juveniles immured within the Center. It is anticipated that the State reimbursement will decrease by 12% this year due to changes within the legislature. There will continue to be an increase in expenditures for the Center due to tracking and monitoring program disbursements that went into effect on July 1, 2005, with salaries and expenditures paid for tracking, monitoring, and outreach services for juveniles increasing yearly.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If there are questions about this report or additional financial information is needed, contact Northwest Iowa Multicounty Regional Juvenile Detention Center, 1231 W. Cedar Loop, Suite #110, Cherokee, Iowa.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER

BALANCE SHEETS
JUNE 30, 2011 AND 2010

Exhibit A

| | <u>2011</u> | <u>2010</u> |
|--|------------------|------------------|
| <u>CURRENT ASSETS</u> | | |
| Cash and cash equivalents | \$ 110,872 | \$ 107,279 |
| Due from other governments | 190,683 | 253,611 |
| Prepaid insurance | 31,954 | 30,402 |
| Total current assets | <u>333,509</u> | <u>391,292</u> |
| <u>PROPERTY AND EQUIPMENT</u> | | |
| Property and equipment, net of accumulated depreciation of \$131,349 and \$128,574 in 2011 and 2010 | <u>22,024</u> | <u>25,065</u> |
| Total assets | <u>\$355,533</u> | <u>\$416,357</u> |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts payable | \$ 7,285 | \$ 11,520 |
| Salaries and benefits payable | 11,839 | 4,236 |
| Payroll taxes payable | 8,136 | 13,031 |
| Compensated absences | 31,508 | 37,559 |
| Total current liabilities | <u>58,768</u> | <u>66,346</u> |
| <u>NET ASSETS</u> | | |
| Invested in capital assets | 22,024 | 25,065 |
| Unrestricted | <u>274,741</u> | <u>324,946</u> |
| Total net assets | <u>296,765</u> | <u>350,011</u> |
| Total liabilities and net assets | <u>\$355,533</u> | <u>\$416,357</u> |

See notes to financial statements.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2011 AND 2010

Exhibit B

| | <u>2011</u> | <u>2010</u> |
|-------------------------------|-------------------|-------------------|
| <u>OPERATING REVENUES</u> | | |
| Detention care fees | \$ 407,341 | \$ 381,525 |
| State allocation | 162,466 | 165,533 |
| State programs- tracker | 360,000 | 405,000 |
| State programs | 12,627 | 10,099 |
| Transportation revenues | 7,408 | 3,079 |
| Other operating revenues | 1,456 | 183 |
| Total operating revenues | <u>951,298</u> | <u>965,419</u> |
| <u>OPERATING EXPENSES</u> | | |
| Salaries | 644,168 | 660,440 |
| Payroll taxes | 101,785 | 94,504 |
| Health insurance | 107,539 | 106,596 |
| Meals and food | 22,042 | 20,287 |
| Treatment and health supplies | 4,928 | 4,034 |
| Clothing | 1,344 | 2,114 |
| Travel | 35,362 | 38,815 |
| Training | 370 | 40 |
| Office supplies | 6,210 | 6,770 |
| Postage | 1,044 | 1,303 |
| Telephone and internet | 11,396 | 14,050 |
| Utilities | 11,568 | 9,413 |
| Insurance | 37,895 | 36,785 |
| Transportation expenses | 2,088 | 1,821 |
| Audit fees | 2,825 | 5,166 |
| Accounting services | 5,639 | 2,455 |
| Miscellaneous | 3,219 | 1,840 |
| Repairs and maintenance | 1,748 | 3,313 |
| Depreciation | 4,346 | 6,217 |
| Total operating expenses | <u>1,005,516</u> | <u>1,015,963</u> |
| Operating loss | (54,218) | (50,544) |
| <u>NONOPERATING REVENUES</u> | | |
| Interest on investments | <u>972</u> | <u>2,532</u> |
| Changes in net assets | (53,246) | (48,012) |
| Net assets beginning of year | <u>350,011</u> | <u>398,023</u> |
| Net assets end of year | <u>\$ 296,765</u> | <u>\$ 350,011</u> |

See notes to financial statements.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

Exhibit C

| | <u>2011</u> | <u>2010</u> |
|---|-------------------|---------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Cash received from members/others | \$ 479,169 | \$ 368,056 |
| Cash received from State | 535,058 | 521,166 |
| Cash payments to employees for services and benefits | (750,155) | (764,306) |
| Cash payments to suppliers for goods and services | <u>(259,887)</u> | <u>(247,770)</u> |
| Net cash provided by (used by) operating activities | <u>4,185</u> | <u>(122,854)</u> |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u> | | |
| Acquisition of capital assets | <u>(1,564)</u> | <u>(1,500)</u> |
| Net cash used by capital and related financing activities | <u>(1,564)</u> | <u>(1,500)</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | |
| Proceeds from sale of investments | - | 180,901 |
| Interest on investments | <u>972</u> | <u>3,200</u> |
| Net cash provided by investing activities | <u>972</u> | <u>184,101</u> |
| <u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u> | 3,593 | 59,747 |
| Cash and cash equivalents at beginning of year | <u>107,279</u> | <u>47,532</u> |
| <u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u> | <u>\$ 110,872</u> | <u>\$ 107,279</u> |
| <u>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES:</u> | | |
| Operating loss | \$ (54,218) | \$ (50,544) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 4,346 | 6,217 |
| Loss on disposition of assets | 259 | 169 |
| Changes in assets and liabilities: | | |
| Decrease (increase) in due from other governments | 62,928 | (76,197) |
| (Increase) in prepaid insurance | (1,552) | (9,391) |
| (Decrease) increase in accounts payable | (4,235) | 1,045 |
| (Decrease) increase in salaries and benefits payable | 7,603 | (2,623) |
| (Decrease) increase in payroll taxes payable | (4,895) | 3,117 |
| (Decrease) increase in compensated absences | <u>(6,051)</u> | <u>5,353</u> |
| Total adjustments | <u>58,403</u> | <u>(72,310)</u> |
| Net cash provided by (used by) operating activities | <u>\$ 4,185</u> | <u>\$ (122,854)</u> |

See notes to financial statements.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

1. Summary of Significant Accounting Policies

Northwest Iowa Multicounty Regional Juvenile Detention Center (d/b/a Northwest Iowa Youth Emergency Services Center) was formed in 1989 by eleven northwest Iowa member counties pursuant to the provisions of Chapter 28E of the Code of Iowa. Three additional counties subsequently joined the organization. The Center provides detention and shelter care of juveniles.

Northwest Iowa Multicounty Regional Juvenile Detention Center is governed by a Board comprised of one representative from each of the following member counties: Cherokee, Plymouth, Ida, Buena Vista, Carroll, O'Brien, Sioux, Lyon, Pocahontas, Sac, Dickinson, Clay, Emmet, and Crawford.

The Center's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Northwest Iowa Multicounty Regional Juvenile Detention Center has included all funds. The Center has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Center are such that exclusion would cause the Center's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Center to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the Center. Northwest Iowa Multicounty Regional Juvenile Detention Center has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of Northwest Iowa Multicounty Regional Juvenile Detention Center are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Center distinguishes operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Center's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

1. Summary of Significant Accounting Policies - (Continued)

D. Assets and Liabilities

The following accounting policies are followed in preparing the balance sheets:

Cash, and Cash Equivalents - The Center considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over fifteen years and equipment is depreciated over a five to ten year life.

The cost of repairs and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Compensated Absences - Center employees accumulate a limited amount of earned but unused vacation and compensatory time off hours for subsequent use or for payment upon termination, death, or retirement. The Center's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2011 and 2010.

2. Cash and Investments

The Center's deposits in banks at June 30, 2011 and 2010, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Center is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Center; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Center had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk - The Center's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Center.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

3. Pension and Retirement Benefits

The Center contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the Center is required to contribute 6.95% of covered salary. Contribution requirements are established by state statute. The Center's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009, were \$46,059, \$43,928, and \$36,951, respectively, equal to the required contributions for each year.

4. Capital Assets

A summary of capital assets and accumulated depreciation for the years ended June 30, 2011 and 2010, is as follows:

| | Balance June 30, <u>2010</u> | <u>Additions</u> | <u>Deletions</u> | Balance June 30, <u>2011</u> |
|------------------------------------|------------------------------------|------------------|------------------|------------------------------------|
| Leasehold improvements | \$ 102,717 | \$ - | \$ - | \$ 102,717 |
| Equipment | <u>50,922</u> | <u>1,564</u> | <u>1,830</u> | <u>50,656</u> |
| | 153,639 | <u>\$ 1,564</u> | <u>\$ 1,830</u> | 153,373 |
| Less amortization and depreciation | <u>128,574</u> | <u>\$ 4,346</u> | <u>\$ 1,571</u> | <u>131,349</u> |
| Total | <u>\$ 25,065</u> | | | <u>\$ 22,024</u> |

5. Operating Lease

The Center leases a copy machine. Rental expense incurred for this lease was \$1,142 for the year ended June 30, 2011. Minimum amounts payable under this operating lease are as follows:

| Year Ending June 30, | <u>Amount</u> |
|----------------------------|---------------|
| 2012 | \$ 1,142 |
| 2013 | 95 |

6. Rent Obligations

The Center occupies a portion of a building leased from the Iowa Department of Human Services in Cherokee, Iowa. The lease cost is \$1 per year plus a portion of the utilities and telephone. The terms are subject to renegotiation annually.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

7. Related Party Transactions

Total charges for services during the years ended June 30, 2011 and 2010, were \$407,341 and \$381,525, respectively. The member counties were billed \$150 per diem for juvenile detention services provided. Non-member counties were billed \$175 per diem for juvenile detention services provided.

8. Risk Management

The Center is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Center's property and casualty contributions to the risk pool are recorded as expenditures from its operating fund at the time of payment to the risk pool. The Center's contributions to the Pool for the year ended June 30, 2011 were \$12,865.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Center does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the Center's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

8. Risk Management – (Continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Center also carries commercial insurance purchased from other insurers for coverage primarily associated with workers compensation. The Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

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RICHARD R. MOORE, C.P.A.
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Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Governmental Auditing Standards

To the Members of Northwest Iowa
Multicounty Regional Juvenile Detention Center:

We have audited the accompanying financial statements of Northwest Iowa Multicounty Regional Juvenile Detention Center (the Center) as of and for the year ended June 30, 2011, and have issued our report thereon dated March 16, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies, or material weakness have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in the Center's internal control described in the accompanying Schedule of Findings as items (A), (B), (C), and (D) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under *Government Auditing Standards*. However, we noted certain instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Center's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Center's responses, we did not audit the Center's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Center and other parties to whom the Center may report and is not intended to be and should not be used by anyone other than these specified parties.

March 16, 2012

Hungelman, Putzier & Co.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- A. Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The mail should be opened by someone who does not have access to the accounting records. A list of all checks received should be prepared and this list should then be agreed to amounts posted to the accounting records.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Center should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The Center does concede that segregation of duties is difficult with the limited number of employees and qualified staff to segregate duties. The Center continues to review its policies and procedures in regards to segregation of duties. We continue to assess this situation and look for ways to improve the segregation of duties within the facility.

Conclusion - Response accepted.

- B. Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for board members to make management decisions, reporting financial data reliably in accordance with U.S. generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional GAAP knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Response - Due to a desire to maintain a segregation of duties within the organization, the Center has engaged the services of an independent bookkeeper since January 2010 qualified to complete the year end reports, payroll, and financial statements. This continues to ensure the accuracy and reliability of these reports. Present financial constraints inhibit the ability of management to engage in outside courses but these will be explored when the financial constraints have lifted.

Conclusion - Response accepted.

NORTHWEST IOWA MULTICOUNTY REGIONAL JUVENILE DETENTION CENTER
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Findings Related to the Financial Statements: - (Continued)

INTERNAL CONTROL DEFICIENCIES: - (Continued)

- C. Documentation Supporting Expenses - There were some charges on credit cards which were not supported by proper documentation. As a result, we could not determine if these expenses were a proper expenditure of Center funds.

Recommendation - The Center should require that all original documents supporting an expense be attached and approved before payment is made.

Response - Proper documentation was found on all credit charges excluding one expense trip charge that the facility was unable to locate. Oversight has been addressed on this issue and methods have been put into place to delineate this problem.

Conclusion - Response accepted.

- D. Cancellation of Invoices - We noted that invoices were not marked paid to help prevent duplicate payment.

Recommendation - All invoices should be properly canceled to prevent reuse

Response - The NW Iowa Yes Center continues to pay all outstanding invoices on a monthly basis but will initiate the process of marking invoices as paid following payment of the invoice.

Conclusion - Response accepted.

Other Findings Related to Required Statutory Reporting:

1. Questionable Expenses - No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
2. Travel Expense - No expenditures for travel expenses of spouses of Center officials or employees were noted.
3. Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not. However, the minutes are not being published in a timely manner, and employee salaries do not appear to have been published.

Recommendation - The Center should publish the minutes in a timely manner, including employee salaries.

Response - Although the YES Center does publish the Board meeting minutes, the Center has not published these minutes immediately following each board meeting, but rather, waiting until the following meeting for formal approval of the minutes. The YES Center has begun publishing in a timely fashion and publishing salaries on a yearly basis.

Conclusion - Response accepted.

4. Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Center's investment policy were identified.
5. Business Transactions - No business transactions between the Center and Center officials or employees were noted.